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DISTRIBUTION

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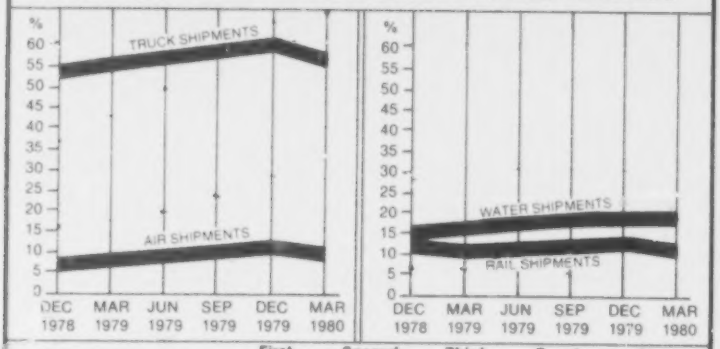

CATEGORY	First Quarter '79	Second Quarter '79	Third Quarter '79	Fourth Quarter '79	First Quarter '80
Truck Shipments	1.7%	1.5%	1.1%	1.1%	-3.0%
Air Shipments	0.5%	0.4%	0.5%	0.6%	-1.1%
Water Shipments	1.1%	0.6%	0.2%	0.2%	0.1%
Rail Shipments	0.1%	0.2%	0.3%	0.3%	-2.1%

The first quarter of 1980 marks the beginning of a lackluster period for the U.S. economy.

Economists forecast a 12 to 14 percent inflation rate and an 8 percent unemployment rate by the end of the year.

The DISTRIBUTION Index is reflecting this slowdown for the first quarter with a 3 percent drop in truck shipments for the period. This is the first negative drop in this area in more than a year.

The decline is attributed to a decrease in demand at the consumer level for all types of products.

Air shipments as well are expected to drop by 1.1 percent. Again, this is the first decrease in the past five quarters.

Rail shipments are also expected to decline in the first part of 1980 by 2.1 percent.

The general decline in the transportation sector is a reaction to the beginning of the long-forecast recession that began in the last part of 1979. This downturn is expected to last for 12 to 15 months and will affect all sectors of the economy.

One manager in the Distribution Index survey stated, "My firm expected the downturn and we are adjusting our operations accordingly. What scares me personally is that while prices for durables are going down, the prices of the fuel and oil to make them is going up.

"Recession is an important issue, but energy independence is the issue for America. I hope this hostage situation in Iran teaches all of us managers something about international law and economics."

TMs SEE THEIR ROLE CHANGING

This is the second in a continuing series of reports on the largest, most important survey of distribution executives ever done. The survey, done by questionnaire, called for information from more than 24,000 distribution and traffic managers and executives in U.S. manufacturing companies. A total of 2246 usable responses were received for a rate much higher than necessary—or expected—for statistical evaluation.

An accurate prediction is nothing more than a guess which, by dumb luck, comes true.

Despite this, we asked distribution executives to—in effect—predict what parts of their jobs would become more important during the first three years of the Eighties.

The results are less important as a crystal ball tuned into the future than they are as a mirror reflecting the concerns of today. As proof of the near impossibility of accurately predicting the future, consider the past. In 1969, a full decade ago, could anyone have predicted the Arab oil embargo? The emergence of hyper-inflation?

On our survey questionnaire, we asked respondents to write in which areas of their jobs they expect would become more important during 1980-1983. Many respondents listed more than one area, which is why the figures shown add up to more than 100 percent.

As might be expected, the greatest number of write-in votes went to the area of "traffic."

What may be surprising is that top billing was also given to the areas of "costs" and "inflation." Respondents mentioned the analysis and control of inflating costs just as often as they mentioned "traffic."

Obviously, the spiral of inflation as it effects the cost of distribution weighs heavily on the minds of the respondents. Indeed, most felt inflation would be as important as the very basics of distribution during the next three years.

Inflation even edged out some other nuts and bolts considerations. In third place on the list were the areas of "transportation, routing and mode selection."

Because of the widely-reported trend towards increased management responsibility being taken on by distribution executives, it is not unusual to find the area of "management" high on the list of those which the respondents feel will become more important in the next three years.

It is significant to note that "international aspects" got a high rating, just behind "management." This confirms a variety of recent indications that U.S. manufacturing companies are looking harder at the export opportunity.

"Inventory control, analysis, planning" ranks next in the list. This is a growing area of involvement for the distribution executive, according to other figures garnered in the overall survey.

It's interesting to note that the next category, "distribution," is so far down on the list. Though its position indicates it is still quite important in the overall projections, one wonders why such a basic function would not rank higher.

Also note that "distribution" is obviously viewed as something quite different from "traffic," which won the top spot on the list.

With the furor of deregulation dominating the news, it is curious to find "government regulation, deregulation and legislation" as far down on the list as it appears. The same can be said of the next category of "rates, rate structure changes, rate negotiations."

The location of "data processing" on the list is interesting. Other information from the overall survey shows that more than two-thirds of those interviewed have access to a computer. However, the other data show less than a quarter of the respondents spend any time on data processing. From the accompanying list, we can project a relatively slow increase in the importance of data processing to the distribution executive.

The issues of "warehousing" and "private fleets" may seem low on the list. This is most likely a distortion, since not all of the respondents are involved in these areas due to the makeup of their company's distribution function.

It is odd that "customer service" didn't rank higher as an area which would become more important over the next three years.

In another segment of the overall survey, respondents said customer service headed the list of activities they were involved in.

The next four categories—"equipment availability, marketing and sales, non-private carriage and materials"—no doubt rank where they do because of somewhat more limited involvement by respondents in these areas.

The next category, however, involves everyone. In light of current developments in the Middle East and the gasoline lines of last summer, it is hard to understand why "energy, fuel" ranked so low in the list. Perhaps this is an indication of some fundamental optimism about the ability of the country to get the energy it needs.

The items bringing up the end of the list do so, no doubt, because the distribution managers as a group may have relatively little direct involvement in each item.

It may seem odd that "labor" is at the end of the list, until you remember that it is probably not the distribution executive who has to negotiate with either organized or unorganized labor. That function belongs to top management. ■

What area of your job do you see becoming more important during the next three years?
2246 wrote in responses

PERCENT	AREA
13.6	Traffic
13.6	Costs, inflation
12.1	Transportation, routing, mode selection
8.8	Management
8.1	International aspects
7.7	Inventory control, analysis, planning
7.2	Distribution
6.6	Government regulation, deregulation, legislation
5.6	Rates, rate structure changes, rate negotiations
5.1	Data processing
4.8	Warehousing, warehouse management, warehouse distribution
4.1	Private fleets, private carriage
3.6	Customer service
3.3	Equipment availability, selection
2.4	Marketing, sales
2.2	Non-private carriage, carrier selection
1.6	Materials, materials management
1.2	Energy, fuel
1.0	Order processing
0.7	Site selection
0.7	Hazardous materials
0.6	Purchasing
0.4	Labor

NOTE

ONLY THE FOLLOWING PAGES OF THIS PUBLICATION

HAVE BEEN FILMED

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